

EMPLOYEE TRUST FUNDS

Budget Summary							
Fund	2002-03 Base Year Doubled	2003-05 Governor	2003-05 Jt. Finance	2003-05 Legislature	2003-05 Act 33	Act 33 Change Over Base Year Doubled	
						Amount	Percent
GPR	\$6,839,600	\$5,892,000	\$5,442,100	\$5,442,100	\$5,442,100	- \$1,397,500	- 20.4%
SEG	<u>33,725,800</u>	<u>37,484,800</u>	<u>38,786,900</u>	<u>38,786,900</u>	<u>38,786,900</u>	<u>5,061,100</u>	15.0
TOTAL	\$40,565,400	\$43,376,800	\$44,229,000	\$44,229,000	\$44,229,000	\$3,663,600	9.0%

FTE Position Summary						
Fund	2002-03 Base	2004-05 Governor	2004-05 Jt. Finance	2004-05 Legislature	2004-05 Act 33	Act 33 Change Over 2002-03 Base
GPR	3.50	3.50	3.50	3.50	3.50	0.00
SEG	<u>209.85</u>	<u>193.85</u>	<u>194.85</u>	<u>194.85</u>	<u>194.85</u>	<u>- 15.00</u>
TOTAL	213.35	197.35	198.35	198.35	198.35	- 15.00

Budget Change Items

Departmentwide

1. STANDARD BUDGET ADJUSTMENTS

	Governor (Chg. to Base)		Jt. Finance/Leg. (Chg. to Gov)		Net Change	
	Funding	Positions	Funding	Positions	Funding	Positions
GPR	-\$55,400	0.00	\$0	0.00	-\$55,400	0.00
SEG	<u>772,000</u>	<u>- 26.00</u>	<u>- 53,400</u>	<u>0.00</u>	<u>718,600</u>	<u>- 26.00</u>
Total	\$716,600	- 26.00	-\$53,400	0.00	\$663,200	- 26.00

Governor: Provide standard adjustments to the base budget totaling -\$27,700 GPR and \$386,000 SEG and -26.0 SEG positions (-25.0 project positions and -1.0 classified position) annually. Adjustments are for: (a) turnover reduction (-\$229,600 SEG annually); (b) removal of noncontinuing elements from the base (-\$27,700 GPR and -\$235,300 SEG and -26.0 SEG positions annually); (c) full funding of continuing salaries and fringe benefits (\$700,500 SEG annually); (d)

overtime (\$47,900 SEG annually); (e) night and weekend differential (\$75,800 SEG annually); and (f) fifth week of vacation as cash (\$26,700 SEG annually).

Joint Finance/Legislature: Delete funding for fifth week of vacation as cash (-\$26,700 SEG annually). Require agencies to lapse to the general fund in 2003-04 from PR and SEG accounts those funds from which these fifth week of vacation as cash payments had been budgeted. Specify, however, that the agency is not required to lapse to the general fund any PR or SEG amount that is from federal funds or that is from another fund source whose lapse to the general fund would be prohibited by state or federal laws or the state or federal constitution. The \$26,700 SEG annual reduction amount for ETF would not lapse to the general fund because the unappropriated funds would remain in the public employee trust fund and may not be diverted to another purpose.

[Act 33 Section: 9160(3f)]

2. BENEFITS PAYMENT SYSTEM REDESIGN [LFB Paper 300]

	Governor (Chg. to Base)		Jt. Finance/Leg. (Chg. to Gov)		Net Change	
	Funding	Positions	Funding	Positions	Funding	Positions
SEG	\$2,027,800	2.50	\$589,500	0.00	\$2,617,300	2.50

Governor: Provide \$1,275,300 in 2003-04 and \$752,500 in 2004-05 and 2.5 two-year project positions annually to enable the agency to complete the redesign of its current Wisconsin Retirement System (WRS) benefits payment system. The purpose of the redesign is to replace the agency's current annuity, lump sum, accumulated sick leave conversion credit and disability payment systems. The intended benefits of the redesign project are to enhance on-line access to annuity and other payment data, improve data maintenance and updating capabilities and increase the integration of agency data systems.

Funding would include one-time financing of \$1,202,800 in 2003-04 and \$656,000 in 2004-05 for contractor costs, development charges by the Department of Electronic Government (DEG) or by DOA (under recommendations contained in the bill), and systems development and testing activities. Other costs would total \$72,500 in 2003-04 and \$96,500 in 2004-05 for salaries and fringe benefits for 2.5 two-year project positions for development and testing functions.

Joint Finance/Legislature: Provide additional supplies and services funding of \$143,800 in 2003-04 and \$445,700 in 2004-05 for software maintenance and for IT production charges associated with the primary benefits payment system redesign effort.

3. CUSTOMER SERVICE CALL CENTER

Governor/Legislature: Provide \$186,200 in 2003-04 and

Funding Positions		
SEG	\$416,000	2.50

\$229,800 in 2004-05 and 2.5 positions annually for the agency's customer service call center. The call center provides a single telecommunications point of contact between WRS participants, annuitants and employers and the appropriate member services and administrative staff in ETF. The primary components of the funding would include: (a) \$83,600 in 2003-04 and \$111,500 in 2004-05 for salaries and fringe benefits for 2.5 positions to reflect the conversion of call center project positions authorized under 2001 Wisconsin Act 16 to permanent status; and (b) \$102,600 in 2003-04 and \$118,300 in 2004-05 for supplies and services. The supplies and services costs include \$100,300 in 2003-04 and \$115,300 in 2004-05 for information technology charges by DEG (or by DOA).

4. PARTICIPANT SERVICES STAFFING INCREASES

Governor/Legislature: Provide \$137,400 in 2003-04 and \$183,300 in 2004-05 and 4.0 positions annually to address an increasing volume of retirement-related inquiries from WRS participants. The request would provide: (a) \$133,800 in 2003-04 and \$178,500 in 2004-05 for salaries and fringe benefits for 4.0 positions; and (b) \$3,600 in 2003-04 and \$4,800 in 2004-05 for ongoing supplies and services for the new positions. The positions would most likely be assigned to: (a) the Member Services Bureau to improve the agency's response time in scheduling pre-retirement counseling sessions, preparing retirement benefit estimates, executing purchase of service requests and processing disability and survivor's benefits applications; and (b) the Benefit Services Bureau for counseling, presentations, benefit estimates and processing survivor's benefits.

Funding Positions		
SEG	\$320,700	4.00

5. STRATEGIC HEALTH POLICY MANAGER

Governor/Legislature: Provide \$53,700 in 2003-04 and \$59,600 in 2004-05 and 1.0 position annually to enable the Department to participate in state and national coalitions of organizations involved in health care cost reduction and containment and to assist in the implementation of such initiatives in Wisconsin. [The provision relates to a pharmacy purchasing pool initiative to address rising health care coverage costs summarized in Item #11 below. Under Act 33, the Group Insurance Board would be required to develop a purchasing pool for pharmacy benefits consisting of the state and any eligible party meeting certain conditions. Eligible party is defined as an employer (other than the state) or any person in the state.]

Funding Positions		
SEG	\$113,300	1.00

6. COMPLIANCE WITH THE FEDERAL HEALTH INSURANCE PORTABILITY AND ACCOUNTABILITY ACT [LFB Paper 301]

	Governor (Chg. to Base)		Jt. Finance/Leg. (Chg. to Gov)		Net Change	
	Funding	Positions	Funding	Positions	Funding	Positions
SEG	\$109,200	1.00	\$766,000	0.00	\$875,200	1.00

Governor: Provide \$54,600 and 1.0 project position annually to continue funding for development and support work relating to compliance with requirements under the federal Health Insurance Portability and Accountability Act of 1996 (HIPAA). The Governor's provision would continue one-time funding for a three-year project position provided in 2002-03 at the December 17, 2002, meeting of the Joint Committee on Finance under s. 13.10 of statutes. At that time, the Department indicated that \$231,400 would be required in 2003-04 to continue the position and the HIPAA-related work. HIPAA activities will also continue in 2004-05, but estimates of these costs are not currently available. Under the bill as introduced, only the salary and fringe benefits costs for the position would be provided in the 2003-05 biennium. Additional funding required for the remaining HIPAA-related work would need to be addressed by the Legislature.

Federal HIPAA legislation contains provisions designed to reduce the costs and administrative burden of health care by making it possible to transmit standardized, electronic administrative and financial transactions that are currently transmitted in a variety of formats. Further, HIPAA regulations govern privacy, security, and administrative standards for health care information. With respect to privacy provisions, HIPAA requires that covered entities adopt written privacy procedures, designate a privacy officer, and develop training on policies and procedures that limit the use and disclosure of protected health information by its employees for health plan purposes. The project position was authorized to perform the primary responsibilities for the development of the required privacy regulations and to serve as the privacy officer for ETF mandated under the federal legislation.

Joint Finance/Legislature: Provide \$353,600 in 2003-04 and \$412,400 in 2004-05 for additional contract programming and related costs to continue development and support work relating to compliance with federal privacy, security and administrative standards for health care information under HIPAA.

7. CONSOLIDATION OF STATE AGENCY ATTORNEYS UNDER DOA [LFB Paper 105]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
SEG	- 1.00	1.00	0.00

Governor: Delete 1.0 attorney position annually and reallocate \$81,600 SEG in 2003-04 and \$108,700 SEG in 2004-05 of base level salary and fringe benefits funding associated with the

position to the agency's supplies and services budget to pay for legal services supplied by DOA, effective the later of October 1, 2003, or the first day of the third month beginning after the bill is enacted. The agency's chief counsel position would not be subject to transfer to DOA under the Governor's recommendation.

Joint Finance: Delete provision. Direct the Secretary of DOA to delete 31.0 FTE executive branch agency attorney positions, other than attorney positions at the University of Wisconsin System, that are vacant on January 2, 2004, and lapse the associated budgeted non-FED salary and fringe benefits amounts to the general fund in 2003-04 and 2004-05. If fewer than 31.0 FTE agency attorney positions are vacant on January 2, 2004, authorize the Secretary of DOA to delete sufficient additional state agency attorney positions, other than at the University of Wisconsin System, to ensure the elimination of a total of 31.0 FTE state agency attorney positions. The additional fiscal effect of this position deletion requirement is reflected under "Administration -- Transfers to the Department."

Senate/Legislature: Include ETF among the executive branch agencies that would be exempt from the requirement that 31.0 FTE state agency attorney positions be deleted on January 2, 2004.

Veto by Governor [D-2]: Delete all references to the word "attorney," so that the Secretary of DOA must eliminate 31.0 positions that are vacant as of January 2, 2004. Delete the exemption of the University of Wisconsin System, so that the only executive branch agencies that would be exempted from the position reductions are ETF and the Investment Board.

[Act 33 Section: 9101(9x)]

[Act 33 Vetoed Section: 9101(9x)]

8. RETIRED EMPLOYEES BENEFIT SUPPLEMENT REESTIMATE [LFB Paper 302]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	-\$1,314,000	-\$28,100	-\$1,342,100

Governor: Reduce base level funding by \$426,400 in 2003-04 and \$887,600 in 2004-05 to reflect decreased amounts necessary to pay benefit supplements for retirees who first began receiving annuities before October 1, 1974. These supplements were authorized primarily by Chapter 337, Laws of 1973, 1983 Wisconsin Act 394 and 1997 Wisconsin Act 26. The reestimate is due to a declining number of retirees eligible for these supplements due to deaths. Current base level funding for the appropriation is \$3,391,900.

Joint Finance/Legislature: Delete \$14,600 in 2003-04 and \$13,500 in 2004-05 to reflect updated projections of the amount of benefit supplements to be paid during the 2003-05 biennium. The revised estimate represents a base level reduction of \$441,000 in 2003-04 and \$901,100 in 2004-05.

9. REVENUE OR APPROPRIATION OBLIGATIONS RELATING TO UNFUNDED PENSION LIABILITY AND ACCUMULATED SICK LEAVE CONVERSION CREDIT PROGRAM LIABILITY [LFB Papers 191 and 192]

Governor: Provide two alternative statutory mechanisms to enable the state to pay off its unfunded prior service pension liability, as follows: (a) authorize the Building Commission to issue revenue obligations backed by the state's alcoholic beverage, cigarette, and other tobacco products excise taxes; or (b) authorize the Department of Administration to issue up to \$750,000,000 in appropriation obligations. A complete summary of the Governor's provisions can be found in the budget summaries for the Building Commission.

Joint Finance/Legislature: Direct the Secretary of DOA to determine for each state agency, other than for ETF and the Investment Board, the amounts credited by ETF to each agency's nonfederal PR, PR-S, SEG and SEG-S appropriations during 2003-04 associated with the state liquidating its unfunded accrued prior service pension liability, for the purpose of transferring these amounts to the general fund. Direct the Secretary of DOA, in making the calculation, to determine the amounts credited by ETF for the payment of unfunded pension liability contributions under the WRS since the last principal payment was credited to that liability in January, 2003. This action would result in an estimated additional GPR-Lapse of \$20,000,000 in 2003-04.

Extend the Governor's proposal to include the issuance of bonds to pay off the state's unfunded accumulated sick leave conversion credit program unfunded liability. Authorize DOA to lapse or transfer to the general fund, an estimated \$51,693,300 (\$25,145,600 in 2003-04 and \$26,547,700 in 2004-05) from agency appropriations from which fringe benefit funding is provided that would otherwise have been expended to make payments on the state's accumulated sick leave conversion credit program unfunded liability in the 2003-05 biennium.

A complete summary of the Legislature's actions and the associated fiscal effects relating to these provisions can be found in the budget summaries for the Building Commission.

10. STATE CONTRIBUTIONS TO STATE EMPLOYEES HEALTH CARE COVERAGE PLANS [LFB Paper 303]

Governor/Legislature: Require the Group Insurance Board to place each of the state's health care coverage plans into one of three tiers established in accordance with standards adopted by the Board. Require that the tiers be separated according to the employee's share of premium costs. Require the state to pay premium costs for eligible employees, regardless of the plan selected by the employee, not less than 80% of the average premium cost of plans offered in the tier with the lowest employee premium cost. This modified state payment requirement would not affect payments required under current collective bargaining agreements for represented state employees and under the current state compensation plan for nonrepresented state employees.

Provide that the current prohibition barring the Group Insurance Board from modifying or expanding group insurance coverage in a manner which conflicts with public employee trust fund law or ETF rules, or materially affects the premium level paid by the state or its employees, or the level of benefits under any group insurance coverage, would not be deemed to prohibit the Board from modifying the Standard Plan to establish a more cost effective benefit plan design.

Stipulate that these provisions would first apply to premiums paid by state employees for health care coverage for the period that begins on January 1, 2004.

No potential state group health insurance cost savings have been recognized in Act 33.

Under current law, the state contributes an amount equal to 90% of the monthly premium cost of the Standard Plan or 105% of the premium cost of the lowest cost alternative health care plan (but not more than the total amount of the remaining premium), whichever contribution amount is less. The basis for establishing the amount of the state's contribution for alternative plan coverage is determined by the county in which the employee receives medical care. The basis for establishing the amount of the state's contribution for Standard Plan coverage is determined by the employee's county of residence. Under the act, these provisions would be eliminated and replaced with the three-tier grouping of all plans and a different required state contribution toward health coverage plan costs.

[Act 33 Sections: 1002, 1009, 1026, and 9316(2)]

11. PHARMACY PURCHASING POOL [LFB Paper 304]

Governor: Beginning January 1, 2005, require each governmental unit that offers or is required to provide health insurance coverage to any of its employees, together with every other such governmental unit, to develop a common purchasing pool for pharmacy benefits that uses a preferred list of covered prescription drugs. Require the governmental units to seek to develop the preferred list of covered prescription drugs under an evidence-based analysis that first, identifies the relative effectiveness of prescription drugs within therapeutic classes for particular diseases and conditions and second, identifies the least costly prescription drugs, including those that are generic among those found to be equally effective.

Provide that, after the pool is developed, it would be available to any employer who: (a) is not a governmental unit; (b) provides health insurance coverage to any of its employees; and (c) is requested by the Governor to participate in the pool.

Define a "governmental unit" as: (a) the state, including any body in the state created or authorized to be created by the Wisconsin Constitution or any state law; (b) an instrumentality of the state, or any corporation or other body created by the state; (c) a political subdivision of the state; (d) a special purpose district; (e) an instrumentality, corporation, or other body of a political subdivision or special purpose district; and (f) any combination or subunit of the above.

Joint Finance/Legislature: Delete the requirement that each governmental unit, other than the state, be required to participate in the purchasing pool by January 1, 2005. Instead authorize the Group Insurance Board to develop a purchasing pool for pharmacy benefits, beginning on January 1, 2005, and provide that an employer (other than the state) or a person doing business or operating an organization in the state (including a self-employed individual) may join the plan on a voluntary basis, under procedures prescribed by the Group Insurance Board and approved by the Joint Committee on Finance under a 14-day passive review process.

Veto by Governor [D-17]: Delete the January 1, 2005, required beginning date for developing the purchasing pool. Modify the definition of "eligible party" to mean an employer (other than the state) or any person in the state. Delete the 14-day passive review process for approving the Group Insurance Board's proposed conditions that an eligible party must satisfy to join the purchasing pool.

[Act 33 Section: 1026r]

[Act 33 Vetoed Section: 1026r]

12. CALCULATION OF ACCUMULATED SICK LEAVE CREDITS AND ELIGIBILITY FOR THE ACCUMULATED SICK LEAVE CONVERSION CREDIT PROGRAM

Governor: Make the following modifications to the accumulated sick leave conversion credit program:

Calculation of Conversion Credits. Provide that the calculation of the value of accumulated unused sick leave credits under the state employee accumulated sick leave conversion credit program and the supplemental health insurance conversion credit program would be based on the employee's highest hourly pay rate received while the individual was employed by the state. Under current law, the final hourly pay rate of the employee immediately prior to termination is used to calculate the value of the credits.

Nonforfeiture of Benefits for Certain Terminating Employees. Provide that any state employee who has attained 20 years of creditable service and terminates state employment would retain his or her sick leave credits for future conversion under the programs even though the individual did not qualify for an immediate annuity (because he or she had not reached the minimum retirement age under the Wisconsin Retirement System). This provision could result in additional costs under the programs since employees who terminate under these conditions under current law forfeit their accumulated sick leave conversion credits. Whether the change would result in an increased contribution rate for the state would have to be determined by ETF's consulting actuary for these programs. However, the Governor's intent is that these modifications would serve to encourage some career employees to take an earlier separation from state service, thereby decreasing state payroll costs.

Initial Applicability. Provide that these provisions would first apply to state employees who are participating employees under the Wisconsin Retirement System on the effective date of the bill.

Current Law. Under current law, a former state employee may continue his or her state group health insurance coverage upon retirement, but the entire monthly cost of the premiums must be paid by the retiree. State employees may accumulate unused sick leave, and the amount of that unused sick leave may be converted at retirement into credits for payment of post-retirement health insurance premiums. The credits are available to the annuitant or his or her surviving insured dependents. The amount of the credit is determined by multiplying the number of hours of regular and supplemental unused sick leave at retirement by the employee's final hourly base rate of pay. To be eligible for the program, a state employee who terminates state employment must either be immediately eligible for a retirement annuity or have attained 20 years of creditable service under the WRS and have deferred application for a retirement.

Provisions of 2001 Wisconsin Act 16 directed the Joint Survey Committee on Retirement Systems to study the issue of allowing participants who have terminated covered employment under the WRS after 25 years of creditable service but who are not yet eligible to receive an WRS annuity upon termination to be able to convert their accumulated unused sick leave into credits for the payment of health insurance premiums on the date on which ETF receives the person's application for a WRS annuity. The report was due by January 1, 2002, but was never prepared.

Joint Finance/Legislature: Include technical clarification that the calculation of conversion credits would apply to the supplemental health insurance conversion credit program.

[Act 33 Sections: 1001, 1001m, 1011 thru 1014, 1026e, 1026t, 2409g, and 9316(1)]

13. USE OF CERTAIN TAX SHELTERED ANNUITY FUNDS TO PURCHASE FORFEITED AND OTHER GOVERNMENTAL SERVICE CREDITS UNDER THE WRS

Governor/Legislature: Authorize WRS participants to transfer funds from certain tax sheltered annuity plans to ETF for the purpose of buying forfeited service, other governmental service and a variety of other types of service, which at various times in the past did not earn WRS creditable service [these include the first six-months of qualifying service for certain pre-1982 participants, service not credited for certain elected and executive participating employees who were once subject to an age limitation on earning additional WRS service, and persons who took teacher improvement leaves or were engaged in junior teaching activities before certain dates].

Authorize individuals to make payments from s. 403(b) tax sheltered annuity plans such as the plan offered to state employees at the UW System, if the participating employee's plan authorizes such a transaction. Further, authorize plan-to-plan transfers, subject to applicable limits or requirements under the Internal Revenue Code, to the WRS trust fund from private

employer's 401(k) plans, educational institution's 403(b) plans, or the state's 457 deferred compensation plan. Authorize participants to make creditable service purchases by providing 10% of ETF's estimate of the total cost of the creditable service, with the balance provided to ETF within 90 days in the form of a plan-to-plan transfer. Authorize ETF to prorate the amount of creditable service purchased in the event of a payment shortfall in the amounts transferred. Provide that ETF could also make refunds in the event of an overpayment. The refund would be transferred to the tax sheltered annuity plan and would not be refunded to the participant. Provide that payment shortfalls of \$25 or less would be forgiven and refunds of \$25 or less would not be paid.

As drafted, the provision does not include an initial applicability section.

Consolidate and recodify the various existing WRS creditable service buy-back provisions under a new s. 40.285 statutory section and make necessary cross-reference changes.

Current Law. Under current law, WRS participants may purchase forfeited service credits, certain types of service credits for which WRS coverage was not available at the time of the participant's initial employment with the WRS, and other governmental service credits. In general, for each year of service purchased, the participant must pay an amount equal to the employee's required contributions (based on the employee's top three years of salary at the time of application to purchase the service credits). Further, when the participant makes the purchase, he or she must purchase all of the forfeited service or all of the service credits for which WRS coverage was not available at the time of the participant's initial employment with the WRS.

Participants may also purchase creditable service under the WRS for service performed as an employee of another governmental unit that does not participate under the WRS. The cost of purchasing this creditable service is the present value of the creditable service, actuarially sufficient to fund the costs of the increased benefits resulting from the additional creditable service.

Participants may fund the purchase out-of-pocket and may also use any employee additional contributions that have been made to his or her WRS employer account.

[Act 33 Sections: 995 thru 999, 1004, 1006, 1007, 1019 thru 1025, and 1992]

14. SEPARATION PERIOD FOR PURPOSES OF RECEIVING A RETIREMENT ANNUITY UNDER THE WISCONSIN RETIREMENT SYSTEM

Governor: Provide that a WRS annuitant could be reemployed immediately after retirement and still receive a WRS annuity if any of the following apply: (a) the individual terminates employment with a WRS employer but is reemployed by a different WRS employer, as defined by the Internal Revenue Code; or (b) the employer has attained normal retirement age for his or her employment classification, or as a result of the combination of age and years of service could take an unreduced annuity even though the individual had not reached normal

retirement age. [This latter provision would also apply if the participant retired under a money purchase annuity rather than a formula-based annuity.] Make a technical cross-reference change to clarify that separation benefits are not payable to certain WRS participants who are on a leave of absence. The Governor's intent is that these modifications would serve to encourage some career employees to take an earlier separation from state service, thereby decreasing state payroll costs.

Specify that these provisions would first apply to individuals who are participating WRS employees on the effective date of the bill.

Under current law, a retired WRS participant receiving a WRS annuity cannot return to work for a WRS employer and still receive an annuity unless there has been a 30-day break in service. Under the WRS, normal retirement age for general classification employees is 65, for state executive or elected classification employees is 62, and for protective service employees is 53 or 54, depending on years of creditable service. General and state executive and elected classification employees may take an unreduced annuity even though they have not attained their normal retirement age, once they have earned 30 years of creditable service after having attained age 57.

Joint Finance/Legislature: Delete provision.

15. STATE GROUP HEALTH INSURANCE PREMIUM PAYMENTS FOR CERTAIN PART-TIME STATE EMPLOYEES

GPR-Lapse	\$11,156,400
GPR-REV	\$10,097,400

Joint Finance: Specify that for permanent or project state employees with appointments between 0.50 FTE and 0.74 FTE, who are participants under the Wisconsin Retirement System, the state would contribute one-half of the normal state contribution for a full-time employee, commencing January 1, 2004, and the employee would contribute the remainder. Lapse all budgeted non-FED fringe benefits savings to the general fund. Estimate increased GPR-Lapse amounts of \$3,718,800 in 2003-04 and \$7,437,600 in 2004-05. Estimate increased GPR-Earned receipts of \$3,365,800 in 2003-04 and \$6,731,600 in 2004-05.

Stipulate that this modification would be a prohibited subject of bargaining for the state as employer and specify that the premium payment change would first apply to employees who are affected by a collective bargaining agreement that contains inconsistent provisions on the day on which the collective bargaining agreement expires, or is extended, modified, or renewed, whichever first occurs.

Currently, if an employee is at least half-time, the employee is deemed full-time for premium contribution purposes, and the state pays the premium cost of group health insurance coverage based on the current contribution formula (an amount equal to 90% of the monthly premium cost of the Standard Plan or 105% of the premium cost of the lowest cost alternative health care plan, whichever contribution amount is less). It is estimated that 3,741 state employees would be affected by this provision.

Senate/Legislature: Exempt from the increased group health insurance premium payment requirement those permanent or project employees of the UW Hospitals and Clinics Authority with appointments between 0.50 FTE and 0.74 FTE, who are participants of the Wisconsin Retirement System.

Veto by Governor [D-16]: Delete the exemption for permanent or project employees of the UW Hospitals and Clinics Authority with appointments between 0.50 FTE and 0.74 FTE. Delete language making the state's group health insurance premium contributions for these part-time employees a prohibited subject of bargaining for the state as employer and requiring the premium payment change to first apply to employees who are affected by a collective bargaining agreement that contains inconsistent provisions on the day on which the collective bargaining agreement expires, or is extended, modified, or renewed, whichever first occurs. Under the veto, the state's contribution to the health insurance premium for represented state employees with an appointment of less than 0.75 FTE would continue to be subject to collective bargaining. In the absence of any language in a successor collective bargaining agreement pertaining to the state's contribution for employees with appointments of less than 0.75 FTE, the state would contribute one-half of the normal state contribution for a full-time employee, commencing January 1, 2004.

The partial veto does not affect the provision requiring the lapse or transfer of all budgeted non-FED fringe benefits savings to the general fund. In the veto message, the Governor states, "I am requesting the Department of Administration secretary to recover from agency budgets the respective amounts that would have been lapsed under the terms of these provisions before partial veto." As a result of this directive, the amounts identified above for lapse or transfer to the general fund remain unchanged.

[Act 33 Sections: 1009 and 9101(8f)]

[Act 33 Vetoed Sections: 1009, 1991m, and 9301(1f)]

Private Employer Health Care Coverage Program

1. PRIVATE EMPLOYER HEALTH CARE COVERAGE PROGRAM [LFB Paper 310]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	\$421,800	- \$421,800	\$0

Governor: Provide \$210,900 annually to support: (a) salaries (\$140,000 annually); (b) fringe benefits (\$52,000 annually); and (c) associated supplies and services (\$18,900 annually) for 3.5 positions that administer the private employer health care coverage program. There is no base funding budgeted to the agency to support this program during the 2003-05 biennium.

Joint Finance/Legislature: Delete provision. Instead, place \$105,500 in 2003-04 and \$210,900 in 2004-05 in the Joint Committee on Finance's supplemental GPR appropriation to fund operating costs relating to the private employer health care coverage program. Authorize the Committee to use this funding, without making a finding of an emergency, only if ETF requests the use of these funds, and statutory changes that are substantially similar to any changes recommended by the task force created in the bill have been enacted into law. (The fiscal effect of budgeting this funding in the Committee's supplemental GPR appropriation is summarized under "Program Supplements.")

Direct the Senate Majority Leader and the Speaker of the Assembly to establish a task force and appoint the members of the task force to review the program and recommend statutory changes for the program. Require the task force to submit proposed statutory changes to the Legislature by January 1, 2004.

Veto by Governor [D-18]: Delete the requirement that the use of the funding provided in the Committee's appropriation be reserved exclusively for ETF. Delete the requirement that the Committee could use the funds only if ETF requested the use of the funds and statutory changes substantially similar to any changes recommended by the task force had been enacted into law. Delete the provisions related to the creation of a task force that would have recommended statutory changes for the program. As a result of these changes, the funding would remain in the Committee's appropriation to support operating costs relating to the private employer health care coverage program.

[Act 33 Sections: 9130(1c)]

[Act 33 Vetoed Sections: 9130(1c) and 9133(4c)]